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The Promotion Potential

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Weekly scanner data relates sales to promotional variables and may pave the way for more profitable and targeted programs.

By Aaron Sugarman



Scanners: The Promotion Potential

Their ranks continue to swell. Scanners, those electronic devices at checkout, are expected to account for more than half of the grocery dollars rung up in the nation's supermarkets this year. Questions remain, however, as to whether or not these silent information gatherers can spark a revolution in the way manufacturers and retailers in the food products industry promote their wares.

Some in the industry are pointing to more profitable and targeted promotion efforts and more sophisticated manufacturer/retailer relationships as a result of scanner data. Others note the scarcity of scanner data, saying it offers little to promotion managers or it still belongs in the "great unfulfilled

potential" category. "When you look at the whole business of using scanner data for marketing and promotions, you find there isn't so much activity as hyperbole," said Robert Wunderle, economist and vice president of public affairs for the Woodbridge, N.J.-based Supermarkets General Corporation, which operates the Pathmark chain.

Scanner data brings two main advantages to the marketing efforts of both manufacturers and retailers: speed and accuracy. Before scanners appeared in 1977, sales figures were largely determined by monthly warehouse withdrawal reports, which could only provide figures on the quantity of a product shipped from a warehouse. Scanner figures show actual sales as well as prices

and other conditions affecting the sale, such as a coupon or sweepstakes offer. Generally data is available on a weekly or biweekly basis.

Although scanning offers opportunities for improved market analysis, new product evaluation and promotion testing and evaluation, Wunderle pointed out that logistical problems must be overcome before the scanner has a dramatic impact on supermarket promotion. "If the data comes in faster than the decision-making

process, then the value of the speed is illusory," he said.

For example, if Pathmark launches a granola bar promotion over the weekend and Monday's scanner reports indicate a need for more product and/or shelf space, it would still take a week to order more bars and change the store layout. By that time, Wunderle explained, the product is not likely to be on sale anymore. Comparing the speed of the scanner to a warehouse withdrawal report, Wunderle said, "There is value to the

speed of a Ferrari compared to a Volkswagen, but what is the value of that speed when you're stuck in midtown New York City traffic?"

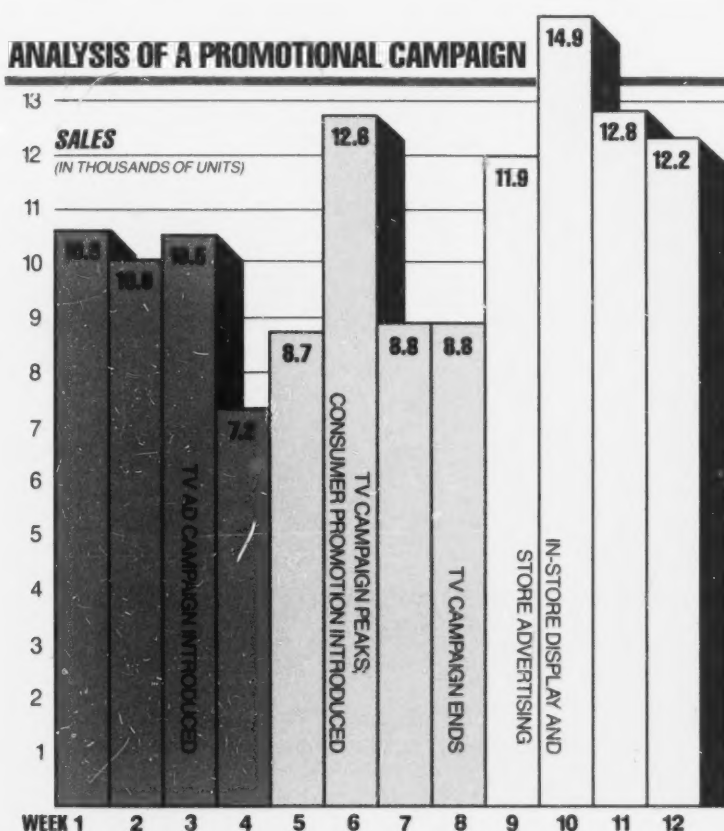
The promotion planning director for a major Northeastern food product manufacturer, who requested anonymity, disagreed with Wunderle's assessment. Thanks to the speed of scanner data, the company is able to evaluate promotions in progress, he said.

"If data shows a major promotion is not performing, the first step is to try to identify the elements negatively affecting it. If we can identify specific shortfalls, we would adjust the campaign. If cost or structural factors are prohibitive, we would consider pulling it. That's the point of scanner technology. It's fast, accurate and changes can be made quickly and then reread. The result is more effective promotion with less risk."

Adjusting a promotion in progress is a possibility with scanner data, but using the data to better position a campaign from the start is a more attractive goal. Phil Lempert, president of the Lempert Company, an advertising agency specializing in food products, expects manufacturers to try to avoid the need to adjust a running campaign by doing things like more direct mail promotions targeting neighborhoods by zip code. "If my product doesn't do well in 30 out of 138 Pathmark stores, I can mail coupons directly to those neighborhoods. It won't cost me millions of dollars, which will allow me to offer more promotions at a higher value," he said.

Scanner data is invaluable because it provides information on a store by store level, Lempert said. Once you know a particular store's demographics and purchasing habits, you can customize a promotional campaign around the store's personality. "Some stores are more sensitive to price, and some respond better to in-store displays," he pointed out.

The ability to pinpoint both



This sales analysis of a cereal brand, presented by Nielsen Marketing Research's director of business development Paul Schmitt, points out the value of scanner data. "If we'd been looking at monthly data we would have seen virtually no change between the first four weeks and the second four weeks—only a 1½ percent increase in sales. All the change we would have observed would have been in the third month when sales were up 33 percent," Schmitt explained. With weekly scanner data the effects of various aspects of the campaign are distinctly discernable, as is the interrelation of promotion, advertising and display.

"Single source data" would tell marketers which promotions will work in which markets —at least theoretically.

market and even individual buying habits is the promise of the so-called "single source data." Essentially the marriage of scanner sales data to market analysis and household purchasing research, single source data would tell marketers which promotions should work in which markets.

The A. C. Nielsen Company, a leader in market research based in Northbrook, Ill., is working with the University of Chicago to develop the means to correlate all of the information necessary to create single source data, according to Travis Whitlow, promotion manager for Nielsen. Nielsen has set up two test markets, in Sioux Falls, S.D., and Springfield, Mo., where it can control the factors that influence purchasing behavior. Panels of 2,500 people in each market are exposed to a variety of advertisements, coupons and promotions, and their purchasing patterns are recorded.

Some manufacturers are waiting impatiently for Nielsen, or someone else, to package all of this data in a form that is easy to use. "We don't have the resources to manipulate all that data by ourselves," said Wayne Levy, manager of marketing decision support systems with the Pittsburgh-based H.J. Heinz Company, "but we know exactly what we want to do with it when we get our hands on it."

Marketers can use scanner data to weigh a number of variables to better understand the effect of specific promotions on sales. A soap manufacturer can run a "buy three bars, get one free" campaign and then change it to "buy five" and analyze the results, suggested

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Current Uses of Scanner Data

Percentage of surveyed retailers using scanner data for:

Specials.....	78.0%
Coupon Accounting.....	67.1
New Product Evaluation.....	43.4
Shelf Allocation.....	41.0
Price Elasticity.....	21.4
Reordering.....	9.8

Source: Food Marketing Institute's Food Market Industry Speaks 1986 survey, 173 respondents.

George Beaumont, vice president of the Majors Corporation, a trade promotion management firm. "Manufacturers want to know which promotion dynamics produce the most dramatic results. This will tell them," he said.

"Scanner data tells you what a customer bought, at what price and what, if any, promotion was in place," said Richard Baird, vice president of technical services with the Stop & Shop Supermarket Company, Boston.

The nature of scanners may lead to the use of certain types of promotion over others. Thanks to scanners, cou-

pon targeting has been raised to a science while continuity programs—which offer merchandise like dishware sets one piece at a time over a promotional period—are handicapped.

"Scanners are part of a depersonalization at the checkout," said Ray Cleeland, chairman of the board of the Johann Haviland China Corporation in New York. "We used to be able to rely on the checker to know the customer, mention the offer and chat about the continuity program, but scanners have taken that away."

Coupons, on the other hand, can be personalized to fit a customer because of scanners, ac-

cording to George Off, vice president of operations for the Catalina Marketing Corporation. Catalina has developed a computerized system that taps into the checkout scanner and uses sales data to provide coupons aimed at particular customers. The coupon is printed at the checkout station and given to the customer before he leaves the supermarket for use on his next visit.

"Let's say a lady comes in and buys baby food," Off said. "She could receive a coupon for baby powder or diapers."

Scanners have brought about a shift in information gathering in the food products industry. "It used to be a vendor would come in and tell the retailer how much he's done for him and what he's going to do next," said Stop & Shop's Baird.

"Now the retailer is telling the vendor how much of his product sold and at what price and profit level."

Stop & Shop uses scanner data to decide which manufacturer promotions it will go along with, Baird said. "We want to know if it is worthwhile. Does it increase product sales in that item and category? Or does it simply steal from other brands?"

Schnuck Markets Inc., a Midwestern chain, does similar evaluations and uses scanner data in developing plan-o-grams for its stores, according to a spokesperson. A plan-o-gram details the layout of a store, including shelf allocation and display space for promotions.

The growing sophistication of retailers is improving their relationship with suppliers, according to sources on both sides.

Scanner data gives the manufacturer and retailer a common ground to communicate from, according to Pierce Pelouze III, vice president of promotion for the Campbell Soup Company, Camden, N.J. "If you use data that came from their scanners, the retailer has confidence in it," Pelouze said. ■

'Single Source' Concept

Scanning is a key contributor to what has been dubbed "single source data." To develop single source data, researchers determine characteristics and demographics of sample households, study their television viewing habits and exposure to advertising and promotions, and record their purchases.

Scanner data helps provide information on price paid, coupons

used, displays and other promotions in effect at the time of sale.

The goal is to relate consumer purchase decisions to the factors influencing the purchase—a shift from marketing reporting, which details the efforts of manufacturers and retailers, to market response reporting, which is concerned with the reaction of consumers to various marketing efforts.